

Message Text

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PAGE 01 TEGUCI 04550 052034Z

44

ACTION ARA-20

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

RSC-01 PRS-01 SPC-03 SS-20 ACDA-19 IO-14 EB-11 COME-00

INT-08 SCEM-02 SCI-06 OMB-01 TRSE-00 NEA-10 AGR-20

DRC-01 AID-20 /195 W

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O R 051950Z DEC 73

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC IMMEDIATE 5819

INFO AMEMBASSY CARACAS

AMEMBASSY GUATEMALA IMMEDIATE

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 4550

E.O. 11652: GDS

TAGS: ENRG, HO

SUBJ: PETROLEUM DEVELOPMENTS IN HONDURAS

REF: TEGUCIGALPA 4521

1. IN DISCUSSIONS DEC 3, 4 & 5 JOHNNY JOHNSON OF TEXACO CORAL GABLES REACHED ACCORD WITH GOH ON PETROLEUM PRICES AND PETROLEUM VOLUME FORMULAS. NET RESULT IS GOH ACCEPTANCE OF IMPORT PARITY PRICING FOR REFINERY PRODUCTS AT RACK AND GOH ACCEPTANCE OF SHARP INCREASES IN PETROLEUM PRICES AT CONSUMER LEVEL. TEXACO PROVIDING "ASSORANCE OF SUPPLY." ACCORD SEEMS TO EMBASSY HIGHLY WORKABLE WITH ALMOST IMMEDIATE RESOLUTION OF INTERNAL SUPPLY PROBLEM AND MECHANISM FOR PRICE ADJUSTMENTS IN FUTURE. PITFALLS POSSIBLE BUT ATMOSPHERE EXCELLENT.

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PAGE 02 TEGUCI 04550 052034Z

2. TEXACO REPS JOHNSON AND TENNANT ACCOMPANIED BY

WALLACE MCDONALD AND R. MILLER CONDUCTED NEGOTIATIONS WITH MINECON BENNATON AND VICE MINISTER DIAZ IN SEVERAL LONG SESSIONS BEGINNING DEC 3. ACCORDING TO JOHNSON, TEXACO ENTERED DISCUSSIONS INTENDING TO GIVE ASSURANCES ONLY ON SUPPLY FOR DIESEL FUEL FOR AGRICULTURAL PURPOSES. NONETHELESS, TALKS PROCEEDED RAPIDLY THROUGH PRICE ISSUE AND GOH INSISTANCE UPON MAXIMUM POSSIBLE ASSURANCE BY TEXACO RELATIVE TO FUTURE SUPPLY. JOHNSON ACCEPTED THIS TREND IN VIEW OF GOH REASONABLENESS ON LONG-STANDING PRICE ISSUE.

3. GOH NEGOTIATORS WELL INFORMED ON PRICE AND SUPPLY PROBLEMS. THEY INTEND ANNOUNCEMENT DEC 5 TO PRESENT TO PUBLIC THE NECESSITY FOR PRICE INCREASES (POSSIBLY EXCEEDING 50 PERCENT). MINISTRY WILL ALSO EMPHASIZE NEED FOR CONSERVATION MEASURES ALREADY ANNOUNCED AND THEIR CONTINUATION.

4. EMBASSY NOT CERTAIN THAT ACCORD ACCEPTED BY CHIEF OF STATE, BUT BELIEVES THIS APPROVAL MUST HAVE BEEN OBTAINED IN ORDER THAT BENNATON COULD NEGOTIATE.

5. NET EFFECT OF AGREEMENT WILL RESULT IN IMMEDIATE INCREASE OF TEXACO REFINERY RUN FROM 8.5 THOUSAND BARRELS PER DAY TO 11 THOUSAND BARRELS PER DAY. SUBSEQUENTLY, BY END OF DEC REFINERY RUN WILL BE AT HIGHER LEVEL TO ASSURE SUPPLY AT REASONABLE LEVEL TO ENTIRE ECONOMY. TEXACO ANXIOUS THAT THIS COMMITMENT BE UNDERSTOOD AS NOT A GUARANTEE OF "FULL SUPPLY" BECAUSE OF ITS IMPLICATION TO OTHER CUSTOMERS. LIKEWISE, TEXACO CANNOT ASSURE AGAINST CHANGING CONDITIONS OF SALE ON PART OF PETROLEUM PRODUCING COUNTRIES. NONETHELESS, PRIC FORMULA OF IMPORT PARITY IS FAVORABLE.

6. GOH LIKEWISE IS NOT TO CLAIM "VICTORY" OF SUPPLY AND STATES IT WILL CONTINUE CONSERVATION MEASURES INSTITUTED.

7. ROSY TURNAROUND COULD FACE PITFALLS IN SEVERAL AREAS. THE MOST LIKELY WOULD BE INTENSE CONSUMER REACTION AGAINST THE PRICE INCREASES FORCING GOH RESPONSE. COMMENT:
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PAGE 03 TEGUCI 04550 052034Z

THE EMBASSY BELIEVES THIS IS LEEF LIKELY NOW BECAUSE OF INTENSE LOCAL COVERAGE OF WORLD PETROLEUM SUPPLY AND PRICE ISSUES. PUBLIC SHOULD NOW BE "SOFTENED" TO EXPECT SHARP INCREASES AT PUMP. SECOND POSSIBLE PITFALL IS FORMULA PROVISION FOR ADJUSTMENT OF PRICES ON BASIS OF CONVERSATIONS EACH 2 MONTHS BEGINNING JAN 1. THIS IS A LESSER DANGER IN THAT PARITY PRICES BASED UPON PLATT'S OILGRAM PRICES PLUS AFRA FREIGHT AND LANDING FEES

HAVE BEEN FIXED IN THE AGREEMENT.

8. COMMENT: EMBASSY BELIEVES TEXACO HAS MADE A VERY WISE
AND SENSIBLE APPROACH IN THESE TALKS. GOH LIKEWISE HAS
GAINED SIGNIFICANTLY. AGREEMENT FORMULA ALSO PROVIDES FOR
PROTECTION FOR PETROLEUM DISTRIBUTORS WHICH APPEARS
WORKABLE. FOR THE FIRST TIME SINCE MAY OF THE YEAR
PETROLEUM ATMOSPHERE CLEARED. GOH ANNOUNCEMENT AND
RESPONSE OF PUBLIC TO PRICE INCREASES ARE AWAITED.
SANCHEZ

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